

Assessing Risk Across the Cotton Supply Chain

By Meg Strahle, Australian Cotton Shippers Association

The Australian cotton industry is globally recognised for its ability to efficiently move bales from gin pads to customers in international markets. The 2025 season, however, provided a significant test of this capability. A crop of approximately 5.5 million bales, combined with an unusually low-grade quality profile and a historically high proportion of cotton sold as tendered recap parcels ex-gin pad, placed considerable strain on transport lead times, bale segmentation and warehouse storage systems. Despite these challenges, the industry demonstrated notable resilience. Approximately 5 million bales were successfully shipped to export markets within the eight-month period from May to December - an outcome that underscores the strength and adaptability of Australia's cotton supply chain.

Looking ahead to the 2026 picking season, conditions appear more favourable. Weather forecasts point to near-ideal harvesting conditions, which should support a return to Australia's typically high-quality cotton production. However, a new layer of complexity is emerging. Global fuel supply constraints - driven by geopolitical tensions and restricted oil flows - are expected to place pressure on domestic logistics networks and ocean freight. Rising fuel costs and potential limitations in transport availability are likely to increase operating expenses and disrupt the timely movement of cotton from gin pads to warehouses and ports. In this environment, attention is increasingly turning to an often overlooked but critical aspect of the supply chain: the allocation of risk, ownership and insurance coverage for cotton bales post-ginning.

Delays in transport availability may result in cotton remaining in gin yards for extended periods, beyond what is commonly assumed to be standard insurance coverage. While many in the industry operate under the expectation of coverage for a limited period - often seven days after ginning - there is no consistent standard across the sector. In practice, both the timing of ownership transfer and the duration of insurance coverage can vary significantly depending on contractual arrangements.

The transfer of risk and title may occur at different points in the supply chain. In some cases, it passes when the ginner notifies that the cotton has been processed and is available for collection. In others, it transfers when the cotton is physically loaded onto the buyer's transport. These distinctions are not always clearly understood, yet they have important implications for liability during periods of delay.

Insurance arrangements are similarly variable. Depending on the ginner, contract or region, cotton may be insured only until the completion of the ginning process, until it is loaded onto transport, or for a defined period following notification of availability. Beyond these points, responsibility may shift to the grower or buyer. In the absence of clarity, this can leave gaps in coverage - particularly during periods of logistical disruption.

This issue is especially relevant in the current operating environment. Fuel shortages or price volatility have the potential to delay freight movements, extending the time cotton remains exposed on gin pads. Prolonged storage increases the risk of damage from weather events, fire or contamination,

while also raising the possibility of additional costs such as demurrage. Without clear alignment between contractual terms and insurance coverage, these risks may not be adequately managed.

For growers and brokers, a practical approach is to take the time to review ginning contracts and clearly understand when ownership and risk transfer occurs, as well as what insurance coverage applies at each stage of the supply chain. It can also be helpful to confirm any assumptions - particularly around standard coverage periods and where there is a possibility that cotton may remain on gin pads for extended durations. Early engagement with ginners and merchants is encouraged.

While heightened supply chain volatility has brought these issues into sharper focus, the underlying principle remains constant: a clear understanding of contractual obligations, risk allocation and insurance coverage is essential to avoid uncertainty and unexpected exposure. As the industry prepares for the 2026 season, maintaining clarity around risk, ownership and insurance will be critical to protecting value and sustaining the efficiency of Australia's cotton supply chain. Wishing growers and the post farm gate supply chain a safe and successful harvest and we look forward to another strong season delivering premium Australian cotton to global markets.

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